

**BROWN CITY COMMUNITY SCHOOLS**  
**BROWN CITY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional information)**  
**June 30, 2008**

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August 21, 2008

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Brown City Community Schools  
Brown City, Michigan 48416

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown City Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Brown City Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brown City Community Schools as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, on our consideration of Brown City Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and page 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion it.

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Board of Education  
Brown City Community Schools  
August 21, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Brown City Community Schools' basic financial statements. The additional information on pages 22 - 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Brown City Community Schools has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Brown City Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. .

**FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net assets totaled \$2,251,797 and \$1,669,832 at June 30, 2008 and 2007, respectfully. Of these amounts, \$595,439 and \$696,430 were restricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net assets for day-to-day operations. The following is a summary of the District's net assets at June 30, 2008 and 2007:

**BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Current assets	\$ 3,317,053	\$ 3,921,200
Capital assets net of depreciation	<u>12,926,847</u>	<u>13,108,611</u>
<b>Total assets</b>	<b><u>\$ 16,243,900</u></b>	<b><u>\$ 17,029,811</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 1,052,120	\$ 1,943,828
Long-term liabilities	<u>12,939,983</u>	<u>13,416,151</u>
<b>Total liabilities</b>	<b><u>13,992,103</u></b>	<b><u>15,359,979</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(293,028)	(452,702)
Restricted for debt service	595,439	696,430
Unrestricted	<u>1,949,386</u>	<u>1,426,104</u>
<b>Total net assets</b>	<b><u>2,251,797</u></b>	<b><u>1,669,832</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 16,243,900</u></b>	<b><u>\$17,029,811</u></b>

The \$1,949,386 in unrestricted net assets of governmental activities represents school district funds that have not been committed contractually or for debt obligations and are available for future use.

Total net assets increased \$581,965 in 2007-08. The major components of the increase in net fixed assets are as follows:

- **Capital acquisitions**  
Capital outlay for the year ended June 30, 2008 totaled \$95,306
- **Depreciation expense**  
The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principals, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2008 the net increase in accumulated depreciation was \$392,832.
- **Debt repayment**  
Repayment of debt decreases the District's long-term principal obligations and, as a result, the net assets of the district increase. The District repaid \$490,000 of long-term debt in the current fiscal year.

BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

- Increase in fund balance  
Total governmental funds revenue and other financing sources exceeded expenditures and other financing uses by \$225,768.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2008 is as follows:

	2008	2007
General revenue		
Property taxes levied for general operations	\$ 449,523	\$ 431,351
State of Michigan aid, unrestricted	7,647,152	7,936,026
Property Taxes levied for debt service	824,811	786,916
Other – federal, state and local	<u>110,825</u>	<u>204,363</u>
Total general revenue	9,032,311	9,358,656
Program revenue		
Charges for services – local	337,028	372,276
Operating grants – federal and state	<u>637,484</u>	<u>605,768</u>
Total revenues	<u>10,006,823</u>	<u>10,336,700</u>
Expenses		
Instruction	4,497,251	4,974,502
Support services	3,195,408	3,339,973
Community services	58,898	47,067
Food services	485,300	467,504
Athletics	204,609	221,423
Amortization	32,800	31,570
Interest on long-term debt	557,760	594,622
Depreciation (unallocated)	<u>392,832</u>	<u>454,298</u>
Total expenses	<u>9,424,858</u>	<u>10,130,959</u>
Increase in net assets	581,965	205,741
Net assets – July 1	<u>1,669,832</u>	<u>1,464,091</u>
Net assets – June 30	<u>\$ 2,251,797</u>	<u>\$ 1,669,832</u>

**BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The financial condition of the governmental funds remains steady as indicated by the combined fund balance of \$2,905,102 in 2007-08, compared to \$2,679,334 in 2006-07.

In the General Fund, our principal operating fund, the fund balance increased \$172,960. Our Special Revenue Funds were up slightly, showing a \$4,559 net increase in fund balance compared to \$15,533 in 2006-07.

The Debt Service Fund balance increased by \$48,249 during the 2007-08 fiscal year. The Debt Service Fund millage rate remained the same at 5.9980 mills. Millage rates are determined annually to ensure the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund balances are reserved since they can only be used to pay debt service obligations.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2008, the School District amended the budget of this major governmental fund two times.

***General Fund***

In the general fund, the actual revenue was \$8.624 million. This is above the original budget estimate of \$8.440 million and slightly below final amended budgeted amount of \$8.659 million, a variance of 0.43%.

The actual expenditures of the general fund were \$8.050 million. This is below the original budget estimate of \$8.497 million and the final amended budgeted amount of \$8.296 million. The variances between the actual General Fund expenditures and the original and final expenditure budgets include the following:

- A conservative approach in discretionary spending throughout the school year and another year of monitoring and conservation of energy/utilities.

A schedule of statements showing the School District's original and final budget amounts compared with amounts actually paid and received is in the final prepared audit.

General Fund revenues and other financing sources totaled \$8,629,569 million and total expenditures and other financing uses were \$8,456,609 million for the year. The fund balance was \$2,391,662 at June 30, 2008.



**BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

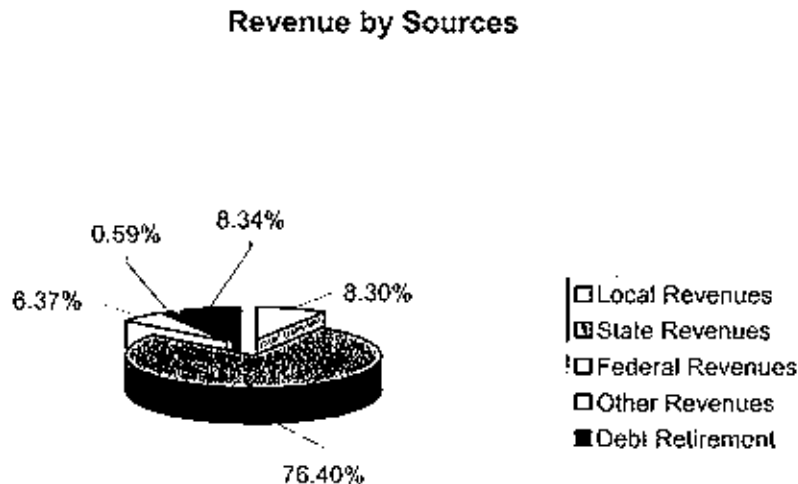
**GOVERNMENTAL FUND EXPENDITURES**

The following chart illustrates that general fund comprises 85% of all the expenditures within the governmental funds of the School District. As of June 30, 2008 expenditures totaled \$ 9.526 million for all District programs. The ending fund balance for all funds was equal to \$2,679,334

	June 30, 2008	% of TOTAL
General Fund	\$ 8,050,454	85.00%
Special Revenue Fund	689,909	7.00%
Debt Retirement Fund	786,135	8.00%
Total	\$ 9,526,498	100.00%

**TOTAL REVENUES**

Revenues for all governmental funds totaled \$10.009 million. The following graph illustrates the District revenues by source as a percentage of total revenue:



BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

***Unrestricted State Aid***

The district is predominately funded by State Aid. The State of Michigan increased the per pupil funding for the 2007-08 school year to \$7,204, a \$119 per pupil increase over the 2006-07 allocation of \$7,085. State Aid membership was 1,070 and 1,124 in 2007-08 and 2006-07, respectively.

***Property Taxes***

The District was only able to levy 17.1075 mills, of the originally voted 18.0 mills, of property taxes on all Non-Homestead property located within the district for General Fund operations during the 2007-08 school year. The millage rate remained the same the same as in the 2006-07 school year. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2007-08 Non-Homestead property tax levy totaled approximately \$459,189 and collections were \$449,523.

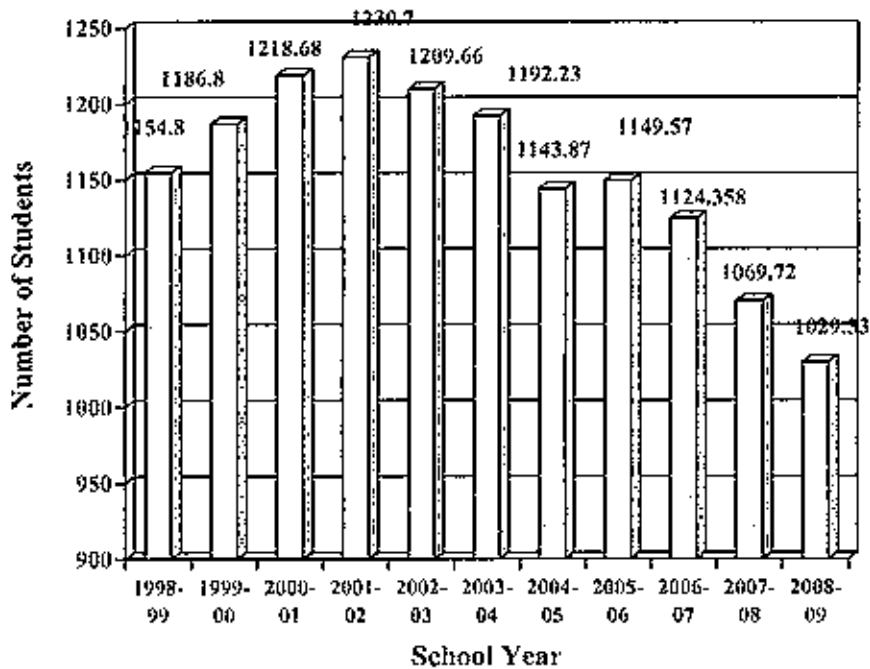
The District levies 5.9980 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the 2007-08 year was \$826,025.

**BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**ENROLLMENT**

The enrollment of Brown City Community Schools totaled 1,070 students in 2007-08. This is a decrease in enrollment of 54 students from the 2006-07 year. The School District is located in Sanilac, Lapeer and St. Clair Counties and is considered a rural community. The School District's enrollment includes students K-12 and Alternative High School students, located in learning centers in Brown City and Croswell. In the 2007-08 school year, the school district was no longer the district record for the PEAK Alternative Education program at the Sanilac Career Center.

Enrollment over the last ten years, plus a 2008-09 projection is illustrated as follows:



Enrollment is important to the financial health of the School District because state funding is based on a per-pupil formula. For the fiscal year ended June 30, 2008, the gross per-pupil allowance was \$7,204.

BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2008, the School District had \$17.8 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$ 5.05 million dollars has been depreciated. Net book value totals \$12.8 million. The district's buildings range in years of construction from 1954 to 2001. The majority of the buildings were either constructed or remodeled during the 2001 Bond Issue. The district is committed to the timely repairs and maintenance of its facilities. Computer purchases are under the District's capitalization threshold of \$5,000 and are expensed accordingly.

	<b>Governmental</b>
	<b><u>Activities</u></b>
Land and Improvements	\$ 877,948
Buildings and Additions	14,586,307
Machinery and Equipment	1,486,631
Vehicles & Buses	<u>910,200</u>
 Total	 <b><u>\$ 17,861,086</u></b>

***Debt***

**OUTSTANDING DEBT AT YEAR-END**

At June 30, 2008 the School District had \$13.73 million in bonds outstanding as compared to \$14.22 million at the end of the previous year. The bonds outstanding consisted of the following:

Limited Tax General Obligation Bond	\$ 755,000
Durant Issue	\$ 35,845
Building and Site Bonds	\$ 12,945,000

It needs to be noted the Durant Issue is a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate for these bonds, the School District is under no obligation for payment. The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

**BROWN CITY COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

State statutes limit the amount of debt schools can issue. The School District's outstanding voted bond debt of \$12.9 million and is under the statutorily imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The School District's revenue is heavily dependent on enrollment, state funding, and thus, the health of the State of Michigan's School Aid Fund. The State periodically holds revenue consensus conferences to estimate its revenues. Based on the results of these conferences, the State determines whether they have sufficient funds to meet the per student allocation. When the 2008-09 budget was formulated, the State had not indicated what they would set the per pupil allocation at for the school year. The 2008-09 budget was based on \$56 more than the 2007-08 school year per pupil allocation of \$7,204.

The State's current blending formula (25% February 2008 count and 75% September 2008 count) is the same formula that was used in the 2007-08 school year. The district's blended count for the 2008-09 school year is projected to be down 40 from the 2007-08 school year.

In addition, the district has unsettled labor agreements with the several non-union employees.

The 2007-08 budget, that was originally adopted, included an excess of expenditures over revenue of \$384,316, which would have reduced the District's fund equity. During the school year the District reduced elective spending as much as possible, to help reduce that projected excess in expenditures over revenue. Even if the state revenues improve, future budget reductions may be required to handle the increasing costs, such as health insurance, state mandated retirement contributions and the ever increasing costs of fuel and the utilities.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of Brown City Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Janet E. Stimson, Business Manager  
Brown City Community Schools  
4349 Second St. P.O. Box 160, Brown City, MI 48416-0160  
Telephone – 810-346-2781 Fax – 810-346-3762  
Email – jstimson@bc.k12.mi.us

## **BASIC FINANCIAL STATEMENTS**

**BROWN CITY COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

		<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,540,953	
Investments	280,505	
Accounts receivable	16,043	
Taxes receivable	6,886	
Due from other governmental units	1,440,147	
Inventory	4,619	
Prepaid expenses	27,900	
<b>TOTAL CURRENT ASSETS</b>		<u>3,317,053</u>
<b>NONCURRENT ASSETS:</b>		
Deferred bond charges, net of amortization	115,762	
Capital assets	17,861,086	
Less accumulated depreciation	(5,050,001)	
<b>TOTAL NONCURRENT ASSETS</b>		<u>12,926,847</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 16,243,900</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 11,158	
Accrued interest	73,433	
Accrued payroll taxes	130,456	
Salaries payable	263,451	
Current portion of long term debt	449,867	
Current portion of compensated absences/buyouts	123,755	
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,052,120</u>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long term debt	12,770,008	
Noncurrent portion of compensated absences/buyouts	169,975	
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>12,939,983</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	(293,028)	
Restricted for debt service	595,439	
Unrestricted	1,949,386	
<b>TOTAL NET ASSETS</b>		<u>2,251,797</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 16,243,900</u></u>

The accompanying notes are an integral part of the financial statements.

**BROWN CITY COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 4,497,251	\$ 73,050	\$ 267,719	\$ (4,156,482)
Support services	3,195,408		114,737	(3,080,671)
Community services	58,898			(58,898)
Food services	485,300	208,659	255,028	(21,613)
Athletics	204,609	55,319		(149,290)
Amortization	32,800			(32,800)
Interest on long-term debt	557,760		-	(557,760)
Unallocated depreciation	392,832			(392,832)
Total governmental activities	<u>\$ 9,424,858</u>	<u>\$ 337,028</u>	<u>\$ 637,484</u>	<u>(8,450,346)</u>
General revenues:				
Property taxes, levied for general purposes				449,523
Property taxes, levied for debt service				824,811
State of Michigan school aid unrestricted				7,647,152
Investment revenue				44,960
Transfers from other districts				30,164
Sale of school property				6,655
Miscellaneous				29,046
Total general revenue				<u>9,032,311</u>
Change in net assets				581,965
Net assets, beginning of year				1,669,832
Net assets, end of year				<u>\$ 2,251,797</u>

The accompanying notes are an integral part of the financial statements.



**BROWN CITY COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	GENERAL FUND	2001/2005/2006 ISSUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 1,023,069	\$ 418,217	\$ 99,667	\$ 1,540,953
Investments	280,505			280,505
Accounts receivable	16,043		-	16,043
Due from other funds	12,375			12,375
Due from other governmental units	1,436,726		3,421	1,440,147
Inventory			4,619	4,619
Prepaid expenses	27,900			27,900
<b>TOTAL ASSETS</b>	<b><u>\$ 2,796,618</u></b>	<b><u>\$ 418,217</u></b>	<b><u>\$ 107,707</u></b>	<b><u>\$ 3,322,542</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 11,049		\$ 109	\$ 11,158
Due to other funds			12,375	12,375
Benefits payable	130,456			130,456
Salaries payable	263,451		-	263,451
<b>TOTAL LIABILITIES</b>	<b><u>404,956</u></b>	<b><u>-</u></b>	<b><u>12,484</u></b>	<b><u>417,440</u></b>
<b>FUND BALANCE:</b>				
Unreserved				
Designated for compensated absences/buyouts	293,730			293,730
Designated for insurance	27,900			27,900
Designated for building improvements	62,473			62,473
Designated for subsequent year expenditures	532,484			532,484
Undesignated	1,194,570		95,223	1,289,793
Reserved for debt service		\$ 418,217		418,217
Reserved for OZAB	280,505			280,505
<b>TOTAL FUND BALANCE</b>	<b><u>2,391,662</u></b>	<b><u>418,217</u></b>	<b><u>95,223</u></b>	<b><u>2,905,102</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,796,618</u></b>	<b><u>\$ 418,217</u></b>	<b><u>\$ 107,707</u></b>	<b><u>\$ 3,322,542</u></b>

The accompanying notes are an integral part of the financial statements

**BROWN CITY COMMUNITY SCHOOLS**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2008**

**Total fund balances--governmental funds** **\$ 2,905,102**

Amounts reported for governmental activities in the statement of net assets are different because:

Deferred issuance costs for bond refunding	129,091
Amortization deferred issuance costs	(13,329)

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	17,861,086
Accumulated depreciation is:	(5,050,001)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(13,735,845)
Compensated absences/buyouts	(293,730)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(73,433)
Deferred bond premium	(42,460)
Deferred amount on bond refunding	579,657
Deferred bond discount	44,642
Amortization bond premium	4,662
Amortization amount on bond refunding	(65,820)
Amortization bond discount	(4,711)

Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts, expected to be collected after September 1, 2008	6,886
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 2,251,797</u></b>
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**BROWN CITY COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2008**

	<b>GENERAL FUND</b>	<b>2001/2005/2006 ISSUE</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>				
Local sources	\$ 567,422	\$ 834,384	\$ 263,978	\$ 1,665,784
State sources	7,615,690	-	31,462	7,647,152
Federal sources	382,456		255,028	637,484
Other transactions:				
Transfers from other districts	30,164			30,164
Sale of school property	6,655			6,655
Refund of prior years expenditures	2,035			2,035
Miscellaneous	20,147			20,147
<b>TOTAL REVENUES</b>	<b>8,624,569</b>	<b>834,384</b>	<b>550,468</b>	<b>10,009,421</b>
<b>EXPENDITURES:</b>				
Instruction	4,701,821			4,701,821
Supporting services	3,289,735			3,289,735
Community services	58,898			58,898
School activities			689,909	689,909
Debt service:				
Principal retirement		235,000	-	235,000
Interest and fiscal charges		551,135	-	551,135
<b>TOTAL EXPENDITURES</b>	<b>8,050,454</b>	<b>786,135</b>	<b>689,909</b>	<b>9,526,498</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>574,115</b>	<b>48,249</b>	<b>(139,441)</b>	<b>482,923</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payment on loans	(255,000)			(255,000)
Site services	(2,155)			(2,155)
Payments to other schools	-			-
Transfers from other funds	5,000		149,000	154,000
Transfers to other funds	(149,000)		(5,000)	(154,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(401,155)</b>	<b>-</b>	<b>144,000</b>	<b>(257,155)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>172,960</b>	<b>48,249</b>	<b>4,559</b>	<b>225,768</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,218,702</b>	<b>369,968</b>	<b>90,664</b>	<b>2,679,334</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$2,391,662</b>	<b>\$ 418,217</b>	<b>\$ 95,223</b>	<b>\$ 2,905,102</b>

The accompanying notes are an integral part of the financial statements.

**BROWN CITY COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2008**

<b>Total net change in fund balances--governmental funds</b>	<b>\$ 225,768</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(392,832)
Capital outlay	95,306

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	73,462
Accrued interest payable at the end of the year	(73,433)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Principal payments	490,000
Amortization of premium on bond	1,951
Amortization of discount on bond	(2,027)
Amortization of deferred issuance costs	(5,822)
Amortization of deferred amount on bond refunding	(26,902)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(9,484)
Accrued revenue at the end of the year	6,886

Compensated absences/buyouts are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	492,822
Accrued absences/buyouts at the end of the year	(293,730)

<b>Change in net assets of governmental activities</b>	<b><u>\$ 581,965</u></b>
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The accompanying notes are an integral part of the financial statements.

**BROWN CITY COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2008

	<u><b>AGENCY FUNDS</b></u>
<u><b>ASSETS</b></u>	
CURRENT ASSETS	
Cash	\$       71,398
<b>TOTAL ASSETS</b>	<u><u><b>\$       71,398</b></u></u>
 <u><b>LIABILITIES AND FUND BALANCE</b></u>	
LIABILITIES:	
Due to student organizations	\$       71,398
<b>TOTAL LIABILITIES</b>	<u><b>71,398</b></u>
FUND BALANCE:	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u><b>\$       71,398</b></u></u>

The accompanying notes are an integral part of the financial statements.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Brown City Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Brown City Community Schools (the "District") is governed by the Brown City Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**BROWN CITY COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The 2001/2005/2006 *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* - Durant accounts for the resources accumulated and payments made for principal and interest on long-term limited obligation debt as a result of the Durant settlement.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**BROWN CITY COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED):**

**Modified Accrual Method (Continued):**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 - August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.



**BROWN CITY COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY (CONTINUED):**

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Property Taxes.**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.1075
Debt Service Funds - Homestead and non-homestead	5.9980

**3. Inventories and Prepaid Items.**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue fund consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**4. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**BROWN CITY COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY (Continued):**

**5. Capital Assets.**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**6. Compensated Absences.**

The District's policies generally provide for granting vacation and sick leave with pay. It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher with a minimum of seven years of service, or his/her estate, with at least thirty sick days accumulated shall receive \$30 for each unused accumulated sick day. The maximum days accumulated will be equal to the number of teaching days per school year.

**7. Unemployment Insurance.**

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

**8. Long-term obligations.**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Use of Estimates.**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30, 2008.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS:**

Deposits and investments are held separately in the name of the district by each of the district's funds.

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$ 280,505	0.7047	A-1+	100.0%
Total fair value	<u>\$ 280,505</u>			100.0%
Portfolio weighted average maturity		<u>0.7047</u>		
1 day maturity equals 0.0027, one year equals 1.00				

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,736,450 of the District's bank balance of \$1,836,450 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 4 (QZAB Bonds).

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED):**

The Investment Agreement, dated as of March 14, 2002, by and among The Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 1.5% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$71,398	\$ 1,612,351
Investments	<u>280,505</u>
	<u>\$ 1,892,856</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 1,540,953
Fiduciary Funds	71,398
Investments - District wide	<u>280,505</u>
	<u>\$ 1,892,856</u>

**NOTE 4 - LONG-TERM DEBT:**

On December 6, 2005, the District issued refunding bonds for \$8,465,000 in general obligation bonds with an average interest rate of 3.9% to advance refund \$7,890,000 outstanding 2001 registered bonds with an average interest rate of 5.25%. As a result, the 2001 term bonds are considered defeased and the liability for those bonds has been removed from the general long-term debt group.

The District refunded a portion of the 2001 term bonds to reduce its total debt service payments over the next twenty-one years by \$607,651 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$393,833.

On September 6, 2006, the District issued refunding bonds for \$3,905,000 in general obligation bonds with an average interest rate of 4.2% to advance refund of \$3,700,000 outstanding 2001 registered bonds with an average interest rate of 5.25%.

The District refunded an additional portion of the 2001 term bonds to reduce its total debt service payments over the next twenty-one years by \$210,198 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$137,250.

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 4 - LONG-TERM DEBT (CONTINUED):**

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008.

	Accumulated Compensated Absences/Buyouts	Bonded Debt	Total
Balance, July 1, 2007	\$ 492,822	\$ 13,561,313	\$ 14,054,135
Additions	-	-	-
Deletions	(199,092)	(457,198)	(656,290)
Balance, June 30, 2008	293,730	13,104,115	13,397,845
Less current portion	(123,755)	(449,867)	(637,984)
Total due after one year	<u>\$ 169,975</u>	<u>\$ 12,654,248</u>	<u>\$ 12,759,861</u>

The following is a summary of the various long-term debt of the school district:

1999 Issue due in annual installments of \$25,000 and \$30,000 with interest of 5.00%.	\$ 30,000
2001 Qualified Zone Academy Bonds (QZAB face amount \$1,168,097). The bonds are interest free and are repayable starting 3/14/05 in installments of \$8,097 on 3/14/05 and \$145,000 starting 3/14/06 through 3/14/13. The district is required to set aside \$97,341 beginning on 3/14/02 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds.	725,000
2001 Bond Issue	750,000
2006 Bond Refunding	3,895,000
Limited obligation (Durant) bond, due in annual installments of \$14,178 to \$4,867 through May 15, 2013, with interest of 4.76%.	35,845
2005 Bond Refunding	8,300,000
Plus: Premium on bond refunding	37,798
Less: Discount on bond refunding	(39,931)
Less: Deferred amount on bond refunding	(513,837)
Total general obligation debt	<u>13,219,875</u>
Less: Deferred issuance costs	(115,762)
Accumulated compensated absences/buyouts	293,730
Total long-term debt	<u>\$ 13,397,843</u>

Interest expense (all funds) for the year ended June 30, 2008 was \$554,728.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 4 - LONG-TERM DEBT (CONTINUED):**

**DEBT SERVICE REQUIREMENTS:**

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 449,867	\$ 542,684	\$ 992,551
2010	454,867	532,534	987,401
2011	499,653	524,009	1,023,662
2012	530,596	507,412	1,038,008
2013	570,862	488,834	1,059,696
2014-2018	2,875,000	2,101,381	4,976,381
2019-2023	3,270,000	1,472,222	4,742,222
2024-2028	3,165,000	802,726	3,967,726
2029-2033	1,920,000	276,782	2,196,782
	<u>13,735,845</u>	<u>7,248,584</u>	<u>20,984,429</u>
Premium on bond refunding	37,798		37,798
Discount on bond refunding	(39,931)		(39,931)
Deferred amount on bond refunding	(513,837)		(513,837)
Deferred Issuance Costs	(115,762)		(115,762)
Accum compensated absences/buyouts	293,730		293,730
	<u>\$ 13,397,843</u>	<u>\$ 7,248,584</u>	<u>\$ 20,646,427</u>

An amount of \$698,722 is available in the general and debt service funds to service the general obligation debt.

**CHANGES IN LONG-TERM DEBT:**

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2008:

	<u>ACCUMULATED SICK &amp; PAY &amp; BUYOUTS</u>	<u>GENERAL OBLIGATION</u>
Long-term debt - July 1, 2007	\$ 492,822	\$ 14,225,845
Net decrease in accumulated compensated	(199,092)	
Additions:		-
Amounts paid during the year:		
1998 Issue		(80,000)
1999 Issue		(30,000)
2001 Issue refunded		(185,000)
2005 Refunding		(45,000)
2006 Refunding		(5,000)
QZAB		(145,000)
Durant bonds paid		-
Total	<u>\$ 293,730</u>	<u>\$ 13,735,845</u>

**BROWN CITY COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2008, 2007, and 2006 were \$792,338, \$827,171, and \$767,908, respectively, and were equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

**Other Post-Employee Benefits:**

Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**NOTE 6 - OPERATING LEASES:**

The School District leases equipment under an operating lease agreement that expires May 20, 2013. Lease expense amounted to \$43,410. At June 30, 2008, future lease payments under such leases are as follows:

June 30, 2009	\$ 8,688
June 30, 2010	8,688
June 30, 2011	8,688
June 30, 2012	8,688
June 30, 2013	<u>7,964</u>
Total	<u>\$42,716</u>



**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 7 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**NOTE 8 - CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>July 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2008</u>
Assets Not Being Depreciated -- Land	\$ 142,260	-	-	\$ 142,260
Other Capital Assets:				
Land Improvements	735,888			735,688
Building and Additions	14,586,307			14,586,307
Machinery and Equipment	1,486,631	-	-	1,486,631
Transportation Equipment	914,485	\$ 95,306	\$ (99,591)	910,200
Subtotal	17,723,111	95,306	(99,591)	17,718,826
Accumulated Depreciation:				
Land Improvements	(251,201)	(32,806)		(284,007)
Building and Additions	(2,572,519)	(265,368)		(2,837,887)
Machinery and Equipment	(1,219,521)	(40,471)	-	(1,259,992)
Transportation Equipment	(713,519)	(54,187)	99,591	(668,115)
Subtotal	(4,756,760)	(392,832)	99,591	(5,050,001)
Net Other Capital Assets	12,966,351	(297,526)	-	12,668,825
Net Capital Assets	<u>\$ 13,108,611</u>	<u>\$ (297,526)</u>	<u>\$ -</u>	<u>\$ 12,811,085</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$392,832. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**BROWN CITY COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 9- TRANSFERS:**

Transfers between funds for the year ended June 30, 2008 were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>In</u>
General Fund	\$ 149,000	\$ 5,000
Athletic Fund		149,000
Hot Lunch	5,000	
	<hr/>	<hr/>
Total Transfers	<u>\$ 154,000</u>	<u>\$ 154,000</u>

The transfer to athletic fund from general fund was to subsidize operations. The transfer from hot lunch to general fund was to help cover hot lunch fund administrative/maintenance expenses.

**NOTE 10 -- INTERFUND RECEIVABLES AND PAYABLES:**

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$12,375	
Food Service		\$10,905
Athletics		<u>1,470</u>
	<hr/>	<hr/>
Total	<u>\$12,375</u>	<u>\$12,375</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BROWN CITY COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Local sources	\$ 594,805	\$ 591,883	\$ 567,422	\$ (24,461)
State sources	7,427,086	7,619,101	7,615,690	(3,411)
Federal sources	392,130	383,763	382,456	(1,307)
Other transactions:				
Transfers from other districts	-	31,410	30,164	(1,246)
Sale of school property	-	6,605	6,655	50
Refund of prior years expenditures	1,110	2,035	2,035	-
Insurance reimbursement	-	-	-	-
Miscellaneous	25,000	25,000	20,147	(4,853)
<b>TOTAL REVENUES</b>	<u>8,440,131</u>	<u>8,659,797</u>	<u>8,624,569</u>	<u>(35,228)</u>
<b>EXPENDITURES</b>				
Instruction	4,945,345	4,751,566	4,701,821	49,745
Supporting services	3,502,848	3,485,218	3,289,735	195,483
Community services	49,482	59,772	58,898	874
<b>TOTAL EXPENDITURES</b>	<u>8,497,675</u>	<u>8,296,556</u>	<u>8,050,454</u>	<u>246,102</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(57,544)</u>	<u>363,241</u>	<u>574,115</u>	<u>210,874</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payments on loans	(191,040)	(255,000)	(255,000)	-
Site services	(8,000)	(3,000)	(2,155)	845
Payments to other schools	-	-	-	-
Fund transfers in	7,268	7,268	5,000	(2,268)
Fund transfers out	(135,000)	(149,000)	(149,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(326,772)</u>	<u>(399,732)</u>	<u>(401,155)</u>	<u>(1,423)</u>
<b>EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>\$ (384,316)</u>	<u>\$ (36,491)</u>	<u>172,960</u>	<u>\$ 209,451</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			2,218,702	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$2,391,662</u>	

## **ADDITIONAL INFORMATION**

**BROWN CITY COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2008

	<b>GOVERNMENTAL FUND TYPES</b>		<b>TOTAL</b>
	<b>DURANT DEBT</b>	<b>SPECIAL REVENUE</b>	<b>2008</b>
<b><u>ASSETS</u></b>			
Cash		\$ 99,667	\$ 99,667
Accounts receivable		-	-
Due from other funds		-	-
Taxes receivable		-	-
Due from other governmental units		3,421	3,421
Inventory		4,619	4,619
<b>TOTAL ASSETS</b>	<b>-</b>	<b>\$ 107,707</b>	<b>\$ 107,707</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts payable		\$ 109	\$ 109
Salaries payable		-	-
Due to other funds		12,375	12,375
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>12,484</b>	<b>12,484</b>
<b><u>FUND BALANCE</u></b>			
Fund balances:			
Reserved for debt service			-
Unreserved:			
Undesignated	-	95,223	95,223
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>95,223</b>	<b>95,223</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>-</b>	<b>\$ 107,707</b>	<b>\$ 107,707</b>

**BROWN CITY COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>GOVERNMENTAL FUND TYPES</b>		<b>TOTAL</b>
	<b>DURANT DEBT</b>	<b>SPECIAL REVENUE</b>	<b>2008</b>
<b>REVENUES</b>			
Local sources	-	\$263,978	\$ 263,978
State sources	-	31,462	31,462
Federal sources	-	255,028	255,028
<b>TOTAL REVENUES</b>	<u>-</u>	<u>550,468</u>	<u>550,468</u>
<b>EXPENDITURES</b>			
Food services		485,300	485,300
Athletic services		204,609	204,609
Principal payments	-	-	-
Interest and fiscal charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>689,909</u>	<u>689,909</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(139,441)</u>	<u>(139,441)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Fund transfers in		149,000	149,000
Fund transfers out		(5,000)	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>144,000</u>	<u>144,000</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>-</u>	<u>4,559</u>	<u>4,559</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	-	90,664	90,664
<b>FUND BALANCE AT END OF YEAR</b>	<u>-</u>	<u>\$ 95,223</u>	<u>\$ 95,223</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 459,189	\$ 452,121	\$ (7,068)
Earnings on investments	52,324	35,387	(16,937)
Tuition and fees	18,570	15,008	(3,562)
Rental of facilities	290	290	-
Child care fees	57,410	58,042	632
Other local revenues	4,100	6,574	2,474
<b>Total Local Sources</b>	<u>591,883</u>	<u>567,422</u>	<u>(24,461)</u>
<b>STATE SOURCES:</b>			
Foundation grant	7,101,168	7,103,375	2,207
Drivers education	-	-	-
At Risk	203,034	203,069	35
Special education	180,237	181,762	1,525
Adult education	64,043	64,338	295
Non-plaintiff - Durant settlement	-	-	-
Renaissance zone	-	-	-
Other	70,619	63,146	(7,473)
<b>Total State Sources</b>	<u>7,619,101</u>	<u>7,615,690</u>	<u>(3,411)</u>
<b>FEDERAL SOURCES:</b>			
Title I	263,133	262,486	(647)
Title II	64,235	63,075	(1,160)
Title V	1,002	1,002	-
IDEA Project #060450/0506	52,800	52,800	-
Vocational education	-	500	500
Homeland security	-	-	-
Technology & other	2,593	2,593	-
<b>Total Federal Sources</b>	<u>383,763</u>	<u>382,456</u>	<u>(1,307)</u>
<b>OTHER TRANSACTIONS</b>			
Transfers from other districts:			
Special Education	7,060	7,060	-
Other	24,350	23,104	(1,246)
Sale of School property	6,605	6,655	50
Refund of prior years expenditures	2,035	2,035	-
Insurance reimbursement	-	-	-
Miscellaneous	25,000	20,147	(4,853)
<b>Total Other transactions</b>	<u>65,050</u>	<u>59,901</u>	<u>(6,049)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers from other funds	7,268	5,000	(2,268)
<b>Total Other Financing Sources</b>	<u>7,268</u>	<u>5,000</u>	<u>(2,268)</u>
<b>TOTAL REVENUES</b>	<u>\$8,667,065</u>	<u>\$8,629,569</u>	<u>\$ (37,496)</u>



**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
Elementary			
Professional salaries	\$ 1,124,252	\$ 1,124,186	\$ 66
Nonprofessional salaries	22,340	21,774	566
Insurance benefits	379,411	366,902	12,509
FICA	309,210	305,242	3,968
Purchased services	13,834	12,439	1,395
Supplies	32,018	32,072	(54)
Miscellaneous	2,707	2,725	(18)
Total Elementary	<u>1,886,852</u>	<u>1,868,420</u>	<u>18,432</u>
High School			
Professional salaries	1,102,176	1,090,240	11,936
Nonprofessional salaries	27,375	25,893	1,482
Insurance benefits	343,869	334,316	9,553
FICA	290,274	292,086	(1,812)
Purchased services	25,168	23,489	1,679
Supplies	47,120	45,633	1,487
Miscellaneous	2,634	2,833	(199)
Total High School	<u>1,838,674</u>	<u>1,814,548</u>	<u>24,126</u>
Preschool			
Professional salaries	17,700	17,700	-
Nonprofessional salaries	5,810	5,142	668
Insurance benefits	128	112	16
FICA	5,733	5,582	151
Purchased services	5,131	5,016	115
Supplies	2,994	3,232	(238)
Capital outlay	-	644	(644)
Miscellaneous	500	500	-
Total Preschool	<u>37,996</u>	<u>37,928</u>	<u>68</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
ADDED NEEDS:			
Special Education			
Professional salaries	\$ 230,197	\$ 229,697	\$ 500
Nonprofessional salaries	51,670	49,877	1,793
Insurance benefits	86,177	84,832	1,345
FICA	68,936	68,043	893
Purchased services	300	288	12
Supplies	7,274	7,151	123
Capital outlay	804	803	1
Miscellaneous	365	365	-
Total Special Education	<u>445,723</u>	<u>441,056</u>	<u>4,667</u>
Compensatory Education			
Professional salaries	123,964	123,932	32
Nonprofessional salaries	121,172	121,631	(459)
Insurance benefits	16,036	16,168	(132)
FICA	58,569	59,060	(491)
Purchased services	40,270	40,270	-
Supplies	14,792	14,701	91
Capital outlay	24,267	24,267	-
Total Compensatory Education	<u>399,070</u>	<u>400,029</u>	<u>(959)</u>
Vocational Education			
Professional salaries	67,964	67,964	-
Nonprofessional salaries	1,040	1,040	-
Insurance benefits	26,793	24,314	2,479
FICA	16,887	16,827	60
Purchased services	2,268	2,229	39
Supplies	4,206	4,206	-
Miscellaneous	239	59	180
Total Vocational Education	<u>120,347</u>	<u>117,559</u>	<u>2,788</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
ADULT/CONTINUING EDUCATION:			
Vocational Education			
Professional salaries	\$ 10,317	\$ 10,317	-
FICA	2,513	2,513	-
Purchased services	8,486	7,915	\$ 571
Supplies	920	923	(3)
Miscellaneous	668	613	55
Total Vocational Education	<u>22,904</u>	<u>22,281</u>	<u>623</u>
TOTAL INSTRUCTION	<u>4,751,566</u>	<u>4,701,821</u>	<u>1,246</u>
SUPPORT SERVICES			
PUPIL:			
Guidance			
Professional salaries	143,565	143,666	(101)
Nonprofessional salaries	10,964	10,718	246
Insurance benefits	9,141	7,602	1,539
FICA	39,426	39,719	(293)
Purchased services	700	217	483
Supplies	418	418	-
Miscellaneous	25	25	-
Total Guidance	<u>204,239</u>	<u>202,365</u>	<u>1,874</u>
Health			
Purchased services	239	287	(48)
Supplies	63	63	-
Total Health	<u>302</u>	<u>350</u>	<u>(48)</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>PUPIL:</b>			
Psychological			
Purchased services	\$ 3,500	\$ 3,500	-
<b>Total Psychological</b>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Speech Pathology and Audiology			
Professional salaries	-	-	-
Insurance benefits	(1,626)	(1,639)	\$ 13
FICA	45,225	44,400	825
Supplies	456	456	-
<b>Total Speech Pathology and Audiology</b>	<u>44,055</u>	<u>43,217</u>	<u>838</u>
Other Pupil Services			
Nonprofessional salaries	31,556	28,666	2,890
Insurance benefits	297	297	-
FICA	7,701	6,997	704
Purchased services	160	126	34
<b>Total Other Pupil Services</b>	<u>39,714</u>	<u>36,086</u>	<u>3,628</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>INSTRUCTIONAL STAFF:</b>			
Improvement of Instruction			
Professional salaries	\$ 9,000	\$ 9,000	-
Nonprofessional salaries	14,898	13,837	\$ 1,061
Insurance benefits	120	120	-
FICA	5,834	4,796	1,038
Purchased services	19,397	17,327	2,070
Supplies	4,000	2,944	1,056
Total Improvement of Instruction	<u>53,249</u>	<u>48,024</u>	<u>5,225</u>
Library			
Professional salaries	64,479	64,479	-
Nonprofessional salaries	22,517	20,666	1,851
Insurance benefits	8,637	7,315	1,322
FICA	21,221	20,673	548
Purchased services	558	558	-
Supplies	13,570	13,556	14
Capital outlay	668	668	-
Total Library	<u>131,650</u>	<u>127,915</u>	<u>3,735</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>INSTRUCTIONAL STAFF:</b>			
Computer Assisted Instruction			
Professional salaries	\$ 32,738	\$ 32,738	-
Nonprofessional salaries	20,563	20,008	\$ 555
Insurance benefits	28,086	20,868	7,220
FICA	14,943	15,114	(171)
Purchased services	25,900	25,900	-
Supplies	1,110	1,049	61
<b>Total Computer Assisted Instruction</b>	<u>123,340</u>	<u>115,675</u>	<u>7,665</u>
<b>GENERAL ADMINISTRATION:</b>			
Board of Education			
Professional salaries	4,125	4,110	15
Purchased services	24,375	22,118	2,257
Supplies	-	-	-
Miscellaneous	12,238	12,138	100
<b>Total Board of Education</b>	<u>41,054</u>	<u>38,680</u>	<u>2,374</u>
Executive Administration			
Professional salaries	105,570	105,570	-
Nonprofessional salaries	44,480	44,323	157
Insurance benefits	51,737	45,440	6,297
FICA	122,390	117,672	4,718
Purchased services	14,740	12,379	2,361
Supplies	6,000	6,035	(35)
Capital outlay	-	-	-
Miscellaneous	1,759	1,755	4
<b>Total Executive Administration</b>	<u>346,676</u>	<u>333,174</u>	<u>13,502</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>GENERAL ADMINISTRATION:</b>			
Grant Writer			
Nonprofessional salaries	\$ 2,000	\$ 2,000	-
FICA	508	487	\$ 21
Total Grant Writer	<u>2,508</u>	<u>2,487</u>	<u>21</u>
<b>SCHOOL ADMINISTRATION:</b>			
Office of the Principal			
Professional salaries	229,621	229,621	-
Nonprofessional salaries	104,775	99,434	5,341
Insurance benefits	67,941	58,846	9,095
FICA	107,327	103,099	4,228
Purchased services	2,100	1,882	218
Supplies	19,700	18,776	924
Miscellaneous	697	697	-
Total Office of the Principal	<u>532,498</u>	<u>512,692</u>	<u>19,806</u>
<b>BUSINESS:</b>			
Fiscal Services			
Nonprofessional salaries	87,776	87,776	-
Insurance benefits	27,176	23,325	3,851
FICA	33,106	33,004	102
Purchased services	1,800	1,765	35
Supplies	1,900	1,926	(26)
Miscellaneous	248	248	-
Total Fiscal Services	<u>152,006</u>	<u>148,044</u>	<u>3,962</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>BUSINESS:</b>			
Other Business Services			
Purchased services	\$ 7,148	\$ 7,148	-
Miscellaneous	18,026	18,025	\$ 1
Interest	36,504	6,654	29,850
<b>Total Other Business Services</b>	<u>61,678</u>	<u>31,827</u>	<u>29,851</u>
<b>OPERATION/MAINTENANCE</b>			
Professional salaries	75,500	75,500	-
Nonprofessional salaries	272,000	227,375	44,625
Insurance benefits	36,960	35,832	1,128
FICA	93,800	82,814	10,986
Purchased services	170,296	160,007	10,289
Supplies	303,475	293,645	9,830
Capital outlay	29,800	28,410	1,390
<b>TOTAL OPERATION/MAINTENANCE</b>	<u>981,831</u>	<u>903,583</u>	<u>78,248</u>
<b>PUPIL TRANSPORTATION</b>			
Professional salaries	40,193	40,292	(99)
Nonprofessional salaries	173,252	168,334	4,918
Insurance benefits	54,756	50,717	4,039
FICA	53,487	52,645	842
Purchased services	46,865	45,076	1,789
Supplies	91,715	90,805	910
Capital outlay	68,674	68,524	150
Miscellaneous	2,800	2,522	278
<b>TOTAL PUPIL TRANSPORTATION</b>	<u>531,742</u>	<u>518,915</u>	<u>12,827</u>



**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORT SERVICES</b>			
<b>SUPPORT SERVICES TECHNOLOGY</b>			
Nonprofessional salaries	\$ 90,803	\$ 89,195	\$ 1,608
Insurance benefits	24,395	21,320	3,075
FICA	31,986	31,455	511
Purchased services	30,362	27,704	2,658
Supplies	11,150	10,337	813
Capital outlay	46,500	43,190	3,310
<b>TOTAL SUPPORT SERVICES TECHNOLOGY</b>	<u>235,176</u>	<u>223,201</u>	<u>11,975</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>3,485,218</u>	<u>3,289,735</u>	<u>195,483</u>
<b>COMMUNITY SERVICES:</b>			
<b>Custody and Care of Children</b>			
Nonprofessional salaries	43,699	43,824	(125)
FICA	10,873	10,902	(29)
Purchased services	1,650	1,430	220
Supplies	1,200	664	536
Miscellaneous	100	92	8
<b>Total Custody and Care of Children</b>	<u>57,522</u>	<u>56,912</u>	<u>610</u>
<b>Other Community Services</b>			
Purchased services	-	-	-
Supplies	2,250	1,986	264
<b>Total Other Community Services</b>	<u>2,250</u>	<u>1,986</u>	<u>264</u>
<b>TOTAL COMMUNITY SERVICES</b>	<u>59,772</u>	<u>58,898</u>	<u>1,484</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING USES:			
Transfers to other funds	\$ 149,000	\$ 149,000	-
Site services	3,000	2,155	\$ 845
Payments to other schools	-	-	-
Payments on Loans	255,000	255,000	-
TOTAL OTHER FINANCING USES	<u>407,000</u>	<u>406,155</u>	<u>845</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 8,703,556</u></u>	<u><u>\$ 8,456,609</u></u>	<u><u>\$ 199,058</u></u>

**BROWN CITY COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUND**  
June 30, 2008

	<u>FOOD SERVICE</u>	<u>ATHLETICS</u>	<u>TOTAL 2008</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 96,736	\$ 2,931	\$ 99,667
Accounts Receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	3,421	-	3,421
Inventory	4,619	-	4,619
<b>TOTAL ASSETS</b>	<u><u>\$104,776</u></u>	<u><u>\$ 2,931</u></u>	<u><u>\$107,707</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 109	-	\$ 109
Salaries payable	-	-	-
Due to other funds	10,905	\$ 1,470	12,375
<b>TOTAL LIABILITIES</b>	<u><u>11,014</u></u>	<u><u>1,470</u></u>	<u><u>12,484</u></u>
 <b>FUND BALANCE:</b>			
Unreserved			
Undesignated	93,762	1,461	95,223
<b>TOTAL FUND BALANCE</b>	<u><u>93,762</u></u>	<u><u>1,461</u></u>	<u><u>95,223</u></u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u><u>\$104,776</u></u>	<u><u>\$ 2,931</u></u>	<u><u>\$107,707</u></u>

**BROWN CITY COMMUNITY SCHOOLS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUND**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>TOTAL 2008</u>
<b>REVENUES:</b>			
Local sources	\$ 208,659	\$ 55,319	\$ 263,978
State sources	31,462		31,462
Federal sources	255,028		255,028
<b>TOTAL REVENUES</b>	<u>495,149</u>	<u>55,319</u>	<u>550,468</u>
<b>EXPENDITURES:</b>			
Professional Salaries	-		-
Nonprofessional salaries	127,134		127,134
Insurance benefits	10,737		10,737
FICA	31,017		31,017
Commodities	301,670		301,670
Capital outlay	336		336
Athletic activities		204,609	204,609
Travel & workshops	9,633		9,633
Other expenses	4,773		4,773
<b>TOTAL EXPENDITURES</b>	<u>485,300</u>	<u>204,609</u>	<u>689,909</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>9,849</u>	<u>(149,290)</u>	<u>(139,441)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Fund transfers in		149,000	149,000
Fund transfers out	(5,000)	-	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,000)</u>	<u>149,000</u>	<u>144,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>4,849</u>	<u>(290)</u>	<u>4,559</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	88,913	1,751	90,664
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 93,762</u>	<u>\$ 1,461</u>	<u>\$ 95,223</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2001/2005/2006 ISSUE</u>	<u>DURANT DEBT</u>	<u>TOTAL 2008</u>
<b>REVENUES</b>			
Local Sources:			
Property taxes	\$ 824,811		\$ 824,811
Earnings on investments	9,573		9,573
Miscellaneous income	-		-
Total Local Sources	<u>834,384</u>	<u>-</u>	<u>834,384</u>
State Sources		-	-
<b>TOTAL REVENUES</b>	<u>834,384</u>	<u>-</u>	<u>834,384</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal repayment	235,000	-	235,000
Interest and other fiscal charges	551,135	-	551,135
<b>TOTAL EXPENDITURES</b>	<u>786,135</u>	<u>-</u>	<u>786,135</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>48,249</u>	<u>-</u>	<u>48,249</u>
<b>FUND BALANCES:</b>			
Beginning of Year	369,968		369,968
End of Year	<u>\$ 418,217</u>	<u>-</u>	<u>\$ 418,217</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE AT</u> <u>6/30/2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2008</u>
Art	\$ 566	\$ 60		\$ 626
Athletic CC	176	1,497	\$ 1,625	48
Athletic Baseball	2	3,225	2,851	376
Athletic Baseball Facility Account	1,836	2,305	908	3,233
Athletic Boys Varsity Basketball	516	10,248	7,950	2,814
Athletic Elementary Girls Basketball	757	4,722	4,891	588
Athletic Football	(12)	4,592	4,427	153
Athletic Girls Varsity Track	680	2,689	2,737	632
Athletic Golf	973	858	1,515	316
Athletic Sideline Cheer	1,212	35,049	34,112	2,149
Athletic Varsity Softball	1,298	3,572	2,585	2,285
Athletic Varsity Volleyball	702	1,856	2,196	362
Athletic Wrestling	74	1,520	1,584	10
Autoshop Pop Machine	1,298	2,676	3,561	413
Band	119	3,154	3,079	194
Bowling	700	2,388	1,737	1,351
Bus Garage	399	48	-	447
Chorus	159	780	908	31
Class of 1974 - 2002	1,649	-	-	1,649
Class of 2004	246	-	-	246
Class of 2005	2,918	-	40	2,878
Class of 2006	973	-	-	973
Class of 2007	100	-	29	71
Class of 2008	4,835	5,495	9,079	1,251
Class of 2009	5,810	6,932	8,820	3,922
Class of 2010	3,806	5,163	4,353	4,616
Class of 2011	2,261	2,317	1,077	3,501
Class of 2012	575	6,397	5,337	1,635
Class of 2013	581	3,665	2,762	1,484
Computer Club	125	-	-	125
Croswell Learning Center	66	28	-	94
D. Muxlow - Principal	8,649	44,435	50,347	2,737
D. Muxlow Pop Machine	1,281	2,472	2,545	1,208
Drama Club	1,646	-	-	1,646
Elementary Gift & Flower Fund	212	10	20	202
Elementary Knights of Columbus	-	-	-	-
Equestrian Team	1,206	180	859	527
High School Gifts & Flowers	52	280	353	(21)
High School Knights of Columbus	-	-	-	0
High School Quiz Bowl	93	209	300	2
High School Student Council	66	1,885	583	1,368

**BROWN CITY COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE AT</u> <u>6/30/2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2008</u>
S. Roper Candy	\$ 2,326	\$ 4,490	\$ 5,097	\$ 1,719
S. Roper Internal	730	3,921	2,350	2,301
High School Student Incentive	430	525	430	525
Library Fines	258	150	73	335
Mrs. Hensels Class	45	-	-	45
High School Science	15	-	-	15
National Honor Society	707	4,724	4,989	442
Playground Equipment	7,726	-	-	7,726
Project Graduation	796	-	-	796
PTO	4,114	17,070	18,273	2,911
Reading Incentive	(114)	114	-	-
SADD	341	442	306	477
Soccer	400	4,093	4,022	471
Spanish Class	13	-	-	13
Steigerwald - Principal	10,136	7,020	13,956	3,200
Yearbook	5,915	6,627	8,285	4,257
Revolving	-	4,377	4,354	23
<b>TOTAL AGENCY FUND</b>	<u>\$ 82,443</u>	<u>\$ 214,260</u>	<u>\$ 225,305</u>	<u>\$ 71,398</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
June 30, 2008

Date of Issue: November 24, 1999

Original Amount of Issue: \$250,000

Purpose of Issue: Limited tax general obligation bonds

Interest Rate	Fiscal Year	Annual Maturity May 1	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			May 1	November 1	
5.00%	2009	\$ 30,000	\$ 750	\$ 750	\$ 31,500
		<u>\$ 30,000</u>	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 31,500</u>



**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
June 30, 2008

Date of Issue: March 14, 2001

Original Amount of Issue: \$ 1,168,097

Purpose of Issue: Limited tax general obligation bonds (Qualified Zone Academy Bonds)

<u>Fiscal Year</u>	<u>Annual Payment March 14</u>	<u>Total Fiscal Year Requirements</u>
2009	\$ 145,000	\$ 145,000
2010	145,000	145,000
2011	145,000	145,000
2012	145,000	145,000
2013	145,000	145,000
	<u>\$ 725,000</u>	<u>\$ 725,000</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
June 30, 2008

Date of Issue: October 29, 2001

Original Amount of Issue: \$ 12,900,000

Purpose of Issue Erecting, furnishing and equipping additions to the High School and the existing Elementary School; Partially remodeling, re-furnishing and re-equipping the High School and the existing Elementary School; Acquiring and installing new technology; Improving outdoor physical education facilities; Developing and improving sites.

Interest Rate	Fiscal Year	Annual Maturity May 1	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			May 1	November 1	
3.75%	2009	\$ 220,000	\$ 14,470	\$ 14,470	\$ 248,940
3.85%	2010	245,000	10,345	10,345	265,690
3.95%	2011	285,000	5,629	5,629	296,258
		<u>\$ 750,000</u>	<u>\$ 30,444</u>	<u>\$ 30,444</u>	<u>\$ 810,888</u>

Bonds due to mature in the years 2014-2026 were refunded December 6, 2005.

Bonds due to mature in the years 2027-2031 were refunded September 6, 2006.

**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
June 30, 2008

Date of Issue: November 24, 1999

Original Amount of Issue: \$ 87,456

Purpose of Issue: Durant issue; School Improvements

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Maturity May 15</u>	<u>Annual Interest Payments May 15</u>	<u>Total Fiscal Year Requirements</u>
4.76%	2009	\$ 4,867	\$ 1,274	\$ 6,141
4.76%	2010	14,178	4,245	18,423
4.76%	2011	5,342	800	6,142
4.76%	2012	5,596	546	6,142
4.76%	2013	5,862	279	6,141
		<u>\$ 35,845</u>	<u>\$ 7,144</u>	<u>\$ 42,989</u>

This bond, including interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, Hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository. A revised payment schedule was issued on March 24, 2003.

**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT- 2005 REFUNDING**  
June 30, 2008

Refunding serial bonds in the amount of \$8,465,000 were issued December 6, 2005 to refinance 2001 serial bonds (due to mature in the years 2014-2026).

Interest Rate	Fiscal Year	Annual Maturity May 1	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			May 1	November 1	
3.25%	2009	\$ 40,000	\$ 170,123	\$ 170,123	\$ 380,246
3.38%	2010	50,000	169,473	169,473	388,946
3.38%	2011	45,000	168,629	168,629	382,258
3.50%	2012	45,000	167,869	167,869	380,738
3.63%	2013	60,000	167,082	167,082	394,164
5.00%	2014	465,000	165,994	165,994	796,988
5.00%	2015	515,000	154,369	154,369	823,738
3.75%	2016	565,000	141,494	141,494	847,988
3.80%	2017	620,000	130,901	130,901	881,802
3.85%	2018	665,000	119,121	119,121	903,242
3.90%	2019	660,000	106,319	106,319	872,638
4.00%	2020	650,000	93,449	93,449	836,898
4.00%	2021	645,000	80,449	80,449	805,898
4.00%	2022	635,000	67,549	67,549	770,098
4.10%	2023	630,000	54,849	54,849	739,698
4.13%	2024	625,000	41,934	41,934	708,868
4.13%	2025	620,000	29,044	29,044	678,088
4.25%	2026	615,000	16,257	16,257	647,514
4.25%	2027	150,000	3,188	3,188	156,376
		<u>\$ 8,300,000</u>	<u>\$ 2,048,093</u>	<u>\$ 2,048,093</u>	<u>\$ 12,396,186</u>

**BROWN CITY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT- 2006 REFUNDING**  
June 30, 2008

Refunding serial bonds in the amount of \$3,905,000 were issued September 6, 2006 to refinance 2001 serial bonds (due to mature in the years 2027-2031).

Interest Rate	Fiscal Year	Annual Maturity May 1	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			May 1	November 1	
3.75%	2009	\$ 10,000	\$ 85,999	\$ 85,999	\$ 181,998
3.75%	2010	10,000	85,812	85,812	181,624
3.75%	2011	10,000	85,624	85,624	181,248
5.00%	2012	335,000	85,437	85,437	505,874
5.00%	2013	360,000	77,062	77,062	514,124
4.00%	2014	5,000	68,062	68,062	141,124
4.00%	2015	10,000	67,962	67,962	145,924
4.25%	2016	10,000	67,762	67,762	145,524
4.25%	2017	10,000	67,549	67,549	145,098
4.25%	2018	10,000	67,337	67,337	144,674
4.25%	2019	10,000	67,124	67,124	144,248
4.25%	2020	10,000	66,912	66,912	143,824
4.25%	2021	10,000	66,699	66,699	143,398
4.25%	2022	10,000	66,487	66,487	142,974
4.25%	2023	10,000	66,274	66,274	142,548
4.25%	2024	10,000	66,062	66,062	142,124
4.25%	2025	10,000	65,849	65,849	141,698
4.25%	2026	10,000	65,637	65,637	141,274
4.25%	2027	475,000	65,424	65,424	605,848
4.25%	2028	650,000	55,331	55,331	760,662
4.30%	2029	645,000	41,518	41,518	728,036
4.30%	2030	640,000	27,651	27,651	695,302
4.38%	2031	635,000	13,891	13,891	662,782
		<u>\$ 3,895,000</u>	<u>\$ 1,493,465</u>	<u>\$ 1,493,465</u>	<u>\$ 6,881,930</u>

**BROWN CITY COMMUNITY SCHOOL DISTRICT**

**ADDITIONAL REPORTS REQUIRED  
BY OMB CIRCULAR A-133**

**YEAR ENDED JUNE 30, 2008**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
Terry L. Haske, CPA  
Jammie L. Peasley, CPA  
Timothy Franzel

Robert L. Tuckey, CPA

August 21, 2008

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Brown City Community Schools  
Brown City, Michigan 48416

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown City Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Brown City Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brown City Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brown City Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2008-1 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Brown City Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Brown City Community Schools in a separate letter dated August 21, 2008.

Brown City Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Brown City Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, others within the entity, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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August 21, 2008

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Brown City Community Schools  
Brown City, MI 48416

### **COMPLIANCE**

We have audited the compliance of Brown City Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Brown City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Brown City Community Schools' management. Our responsibility is to express an opinion on Brown City Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brown City Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Brown City Community Schools' compliance with those requirements.

In our opinion, Brown City Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008.

### **INTERNAL CONTROL OVER COMPLIANCE**

The management of Brown City Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Brown City Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Brown City Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown City Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Brown City Community Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
ECIA Title I - C/O ECIA Title I - regular	84.010	815300708	\$ 275,921	-	-	\$ 206,156	\$ 253,055	\$ 46,899
	84.010	715300807	258,356	\$ 51,116	\$ 248,925	60,547	9,431	-
			534,277	51,116	248,925	266,703	262,486	46,899
Title V	84.298	802500708	1,002	-	-	-	1,002	1,002
Title V	84.298	702500607	1,062	1,062	1,062	1,062	-	-
			2,064	1,062	1,062	1,062	1,002	1,002
Technology Literacy Challenge Title II D	84.318	842900708	2,593	-	-	2,593	2,593	-
Technology Literacy Challenge Title II D	84.318	742900807	2,652	714	2,652	714	-	-
			5,245	714	2,652	3,307	2,593	-
Title IIA - Class Size Reduction	84.367	805200708	63,558	-	-	46,092	59,651	11,559
Title IIA - Class Size Reduction	84.367	705200607	63,382	7,225	63,372	10,649	3,424	-
Title IIA - Class Size Reduction	84.367	605200506	64,269	6,566	70,855	6,566	-	-
			191,209	13,811	124,227	65,327	63,075	11,559
Total Passed Through Michigan Dept. of Education			732,795	66,703	376,866	336,399	329,156	59,460

U.S. DEPARTMENT OF EDUCATION:

Passed through Michigan Dept. of Education:

**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2007</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2008</u>
<b>TRANSFERS FROM OTHER GOVERNMENTAL UNITS</b>								
Passed Through the Sanilac Intermediate School District:								
Tech Prep	84.243A	24319070022	\$ 500	\$ -	\$ -	\$ 500	\$ 500	-
P.L. 94-142 Flow-through (IDEA)	84.027	24319070022	52,800	-	-	52,800	52,800	-
			53,300	-	-	53,300	53,300	-
<b>TOTAL TRANSFERS FROM OTHER GOVERNMENTAL UNITS</b>			<u>53,300</u>	<u>-</u>	<u>-</u>	<u>53,300</u>	<u>53,300</u>	<u>-</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>								
Passed through Michigan Dept. of Education:								
National School Lunch	10.555		175,751	-	-	175,751	175,751	-
National School Lunch Breakfast	10.553		44,936	-	-	44,936	44,936	-
Food Distribution Entitlement	10.550		33,447	-	-	33,447	33,447	-
Bonus Commodities	10.565		854	-	-	854	854	-
			<u>254,988</u>	<u>-</u>	<u>-</u>	<u>255,028</u>	<u>255,028</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>\$ 1,041,093</u>	<u>\$ 66,703</u>	<u>\$ 376,866</u>	<u>\$ 644,727</u>	<u>\$ 637,484</u>	<u>\$ 59,460</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>								

**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTES:**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brown City Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciled with the amounts presented in the preparation of the financial statements.
2. ECIA Title I, CFDA #84.010 and Title IIA, CFDA #84.367, were audited as major programs representing 51% of federal expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditor's Report (form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$382,456
Special Revenue Fund	<u>255,028</u>
Subtotal	<u>\$637,484</u>

6. The National School Lunch Program Commodities Entitlement award was \$33,447. The District received commodities totaling \$33,447. Based upon confirmation from the Michigan Department of Education, \$33,447 has been recorded.

**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

**CFDA Number(s)**

84.010  
84.367

**Name of Federal Program or Cluster**

ECIA Title I  
Title IIA

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**Findings Considered Significant Deficiencies:**

**Finding 2008-1**

**Criteria:**

Effective for the year ended June 30, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Condition:**

After considering the qualifications of the accounting personnel of Brown City Community School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

**Cause:**

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

**Effect:**

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

**Recommendation:**

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

**Client Response:**

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**Section III – Federal Award Findings and Questioned Costs**

None



**BROWN CITY COMMUNITY SCHOOL DISTRICT, BROWN CITY, MICHIGAN**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Finding 2007-1**

Condition:

After considering the qualifications of the accounting personnel of Brown City Community School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Current Status:

The situation will continue as stated in the recommendation above.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

---

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Timothy Franzel

Robert L. Tuckey, CPA

August 21, 2008

To the Members of the Board  
Brown City Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brown City Community Schools for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Brown City Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Brown City Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Brown City Community Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Brown City Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Brown City Community Schools' compliance with those requirements.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 25, 2008.

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### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Brown City Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$293,730. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 21, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Brown City Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Robert L. Tuckey, CPA

August 21, 2008

Members of the Board  
Brown City Community Schools

In planning and performing our audit of the financial statements of the Brown City Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 21, 2008 on the financial statements of Brown City Community Schools. Our comments are summarized as follows:

## Current Year Comments

### Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

### Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

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Members of the Board  
August 21, 2008  
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This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Brown City Community Schools and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants